

## Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 01290 261849Z

60

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 PA-01 PRS-01 /034 W

----- 036425

R 261720Z JAN 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5358

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

DIA

USMISSION EC BRUSSELS

USMISSION NATO

USMISSION OECD PARIS

LIMITED OFFICIAL USE ROME 1290

E.O. 11652: DECONTROL AFTER ONE YEAR.

TAGS: ELAB, EFIN, PINT, IT

SUBJECT: LABOR UNIONS AND FINANCIAL CRISIS

1. BEGIN SUMMARY. WITH IN EIGHT HOURS OF THE SUPENSION OF INTERVENTIO  
N

IN THE EXCHANGE MARKET BY THE BANK OF ITALY IN SUPPORT OF THE LIRE ON  
JANUARY 21, THE ECONOMIC COUNSELOR OF ACTING PRIME MINISTER MORO,  
PROFESSOR NINO ANDREATTA, REPORTEDLY REQUESTED THE THREE LEADERS OF  
CGIL-CISL AND UIL (LAMA, STORTI AND VANNI) TO POSTPONE RENEWAL  
THIS YEAR OF CONTRACTS INVOLVING FOUR AND A HALF MILLION WORKERS IN T  
HE

INDUSTRIAL SECTOR. ACCORDING TO PRESS REPORTS, ANDREATTA SAID THE BAN  
K

OF ITALY WOULD THEREBY FIND IT EASIER TO AVOID INCREASING CREDIT  
RESTRICTIONS TO ARREST FURTHER DEPRECIATION OF THE LIRA AND THE  
CONSEQUENT THREAT OF RENEWED INFLATION. UNION LEADERS ARE REPORTERS  
ARE REPORTED TO HAVE INDICATED THAT WHILE THEY ARE NOT DISPOSED TO  
POSTPONE CONTRACT NEGOTIATIONS SCHEDULED FOR 1976, THEY ARE PREPARED  
TO SCALE DOWN SALARY DEMANDS TO THE PERCENT FIGURE WHICH THE OUTGOING

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 01290 261849Z

GOVERNMENT HAD REQUESTED LAST FALL IN ORDER TO BLOCK INFLATION.

END SUMMARY.

2. BEHIND THE SCENES NEGOTIATIONS BETWEEN THE UNIONS AND POLITICAL LEADERS, WHICH ALSO INVOLVED TREASURY MINISTER COLOMBO, ASSUMED A NEW DIMENSION ON JANUARY 23 WHEN THE INFLUENTIAL CORRIERE DELLA SERA PUBLISHED A FRONT PAGE INTERVIEW WITH ANDREATTA. THE LATTER CHALLENGED ITALY'S UNION LEADERS TO SIEZE THE INITIATIVE DURING THE CURRENT ECONOMIC-POLITICAL CRISIS BY POSTPONING FOR ONE YEAR RENEWAL OF THE SUBJECT LABOR CONTRACTS OR, ALTERNATIVELY, ACCEPTING VERY SMALL WAGE INCREASES IN THE RANGE OF TWO TO FOUR PERCENT IN 1976 SUBJECT TO RENEGOTIATION IN COMING YEARS. ANDREATTA NOTED THAT THE PROSPECT OF LARGE WAGE INCREASES (THE UNIONS HAD PREVIOUSLY SUGGESTED THEY MIGHT DEMAND TWENTY TO TWENTY-FIVE PERCENT INCLUDING THE AUTOMATIC

COST OF LIVING ADJUSTMENTS AND OTHER FRINGE BENEFITS), WOULD FURTHER WEAKEN THE COMPETITIVENESS OF ITALIAN EXPORTS. ANDREATTA NOTED THE GERMAN METAL OWRKERS UNION HAS AGREED TO LIMIT ITS WAGE DEMANDS TO SIX PERCENT AND THE BRITISH TO TEN PERCENT FOR THE CURRENT YEAR. ANDREATTA SAID "AN INCREASE IN THE COST OF LABOR (IN ITALY) HIGHER THAN OTHER EUROPEAN LEVELS WOULD HAVE INEVITABLE NEGATIVE EFFECTS ON LIRE EXCHANGE REATES".

3. THE SUNDAY SERMON-LIKE INTERVIEW BY MORO'S CHEIF ECONOMIC ADVISOR WAS REBUTTED IN AN INTERVIEW WHICH CISL NATIONAL SECRETARY PIERRE CARNITI GAVE TO THE NEW SOCIALIST DAILY LA REPUBBLICA, PUBLISHED ON JANUARY 25. CARNITI REVEALED THAT LAST SEPTEMBER THE LEADERS OF THE CCU HAD INDICATED A WILLINGNESS TO SCALE DOWN THEIR WAGE REQUESTS TO EIGHT PERCENT (EXCLUDING COST OF LIVING ADJUSTMENT AND FRINGE BENEFITS) IN ORDER TO AVOID FURTHER INFLATION. CARNITI SAID, HOWEVER, THAT THIS SECRET AGREEMENT WAS PREMISED ON THE PROTECTION OF EMPLOYMENT LEVELS THROUGH RENEWED INVESTMENT IN SELECTED INDUSTRIES IN THE PUBLIC AND PRIVATE SECTORS. CARNITI ADDED THAT THE UNIONS WERE ALSO PREPARED TO COOPERATE IN ENCOURAGING THE MOVEMENT OF LABOR FROM INDUSTRIES WHICH HAVE SUFFERED MARKET DECLINES TO MORE PROMISING AREAS ONLY IF THE GOVERNMENT, WHICH MUST GUIDE SUCH TRANSFERS, ENJOYS WIDE POPULAR CONSENSUS. WHILE APPEALING FOR CONCRETE SOLUTIONS TO THE STRUCTURAL DIFFICULTIES IN THE ITALIAN ECONOMY, CARNITI ALSO EXPRESSED ANXIETY REGARDING THE CURRENT POLITICAL CRISIS. "EARLY ELECTIONS WOULD SPREAD PARTY TENSIONS THROUGH-

LIMITED OFFICIAL USE

PAGE 03 ROME 01290 261849Z

OUT THE LABOR MOVEMENT WHICH WOULD CERTAINLY IMPEDE UNITY OF ACTION," HE SAID.

4. COMMENT: FOR SOME TIME THE NOTION HAS BEEN GAINING FAVOR THAT WHAT ITALY NEEDS TO EMERGE FROM THE CURRENT ECOMIC CRISIS IS TO CONTROL THE DEMANDS OF THE LABOR RANK AND FILE THE WAY THE BANK OF ITALY

CONTROLS MONETARY EXPANSION. THE ONLY DIFFICULTY IS THAT CONTROL OF  
BOTH OF THESE KEY ECONOMIC FACTORS IS NOT IN THE HANDS OF A GOVERNMENT

CAPABLE OF TAKING DECISIVE ACTION. IT SHOULD BE NOTED THAT WILLINGNESS

TO REDUCE WAGE DEMANDS TO EIGHT PERCENT, WHILE WELCOME, COULD STILL  
RESULT IN VERY HIGH RATE OF INCREASE IN TOTAL LABOR COSTS ONCE COST  
OF LIVING AND OTHER BENEFITS OF TEN TO FIFTEEN PERCENT ARE ADDED IN.  
VOLPE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, ECONOMIC CONDITIONS, LABOR UNIONS, CONTRACTS, CREDIT CONTROLS, LIRA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ROME01290  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760029-1031  
**From:** ROME  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760121/aaaaashb.tel  
**Line Count:** 124  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 MAR 2004 by KelleyW0>; APPROVED <14 MAY 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LABOR UNIONS AND FINANCIAL CRISIS  
**TAGS:** ELAB, EFIN, PINT, IT  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006